The Virgin Islands Consortium

P.R. Debt Bill Passes House With Revisions Excluding U.S.V.I., In What Plaskett Calls 'Significant Victory' For Territory

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Delegate to Congress Stacey Plaskett

Update: 8:25 p.m. -- Richard Motta, Ms. Plaskett's press secretary, clarified to The Consortium this evening that the amendment with the provision excluding the U.S. Virgin Islands from the P.R. debt bill, comes with a caveat that would see the islands being re-included in the bill if it were to be challenged in court based on uniformity clause issues in the U.S. Constitution. (Read original story for more details).

But Mr. Motta said the U.S. Department of Treasury, which has been pushing to have all U.S. territories included in the P.R. debt bill, agrees with Thomas Charles MacArthur, a New Jersey Republican Congressman and the original sponsor of the amendment, and Ms. Plaskett -- who along with Mr. MacArthur and others worked with Treasury for the past two weeks to reach common ground -- that even if the bill were to be challenged in its current form excluding the U.S.V.I. and smaller U.S. territories, it remains highly unlikely that the lawsuits would prevail.

Original Story: ST. THOMAS -- In what Delegate to Congress Stacey Plaskett described as a "significant victory" for the U.S. Virgin Islands, the territory is no longer directly tied to the Puerto Rico Oversight Management and Economic Stability Act (PROMESA), which passed the U.S. House of Representatives today, a press release issued by Ms. Plaskett's office has revealed.

The bill's passage comes as Ms. Plaskett gets ready to face off with challenger and former senator Ronald Russell in November, and will serve as a talking point for the freshman congresswoman as she campaigns for reelection.

The legislation passed after a change to a controversial provision in the bill, which extended the option for an Oversight Board to preside over U.S. territories outside of Puerto Rico. Mrs. Plaskett did not clarify whether the exclusion was a result of an amendment she was to introduce on the House floor essentially removing the U.S. Virgin Islands and other U.S. territories from the bill, with the exception of getting re-included if lawsuits were to be filed by challengers, especially bondholders.

“What we’ve been working on with a member on the Republican side — and we’ve garnered several co-sponsors — is proposing an amendment that will be introduced on the [House] floor which removes the smaller territories from the bill, but has what’s called a snap back provision which says that we are excluded unless a court case says that constitutionally all the territories have to be included because of uniformity clause issues in the Constitution,” Ms. Plaskett told The Consortium on Friday. “And we believe that we will be successful in not being included.”

Attempts to reach Ms. Plaskett's office for clarification were unsuccessful.

Part of the delegate’s concern was the negative effect U.S. Virgin Islands inclusion in the P.R. debt measure could have on the territory’s bonds. But the U.S. Treasury, which has been leading the charge in pushing to have all U.S. territories included in the PROMESA bill, continues to argue that if some territories are included and others are left out, bondholders, who see the bill as a way for the federal government to allow Puerto Rico to legally not pay its debt — a notion that has greatly diminished Puerto Rico’s standing in the bond market — could sue the federal government.

She feared that local bonds could have been negatively impacted as well, and noted that the territory’s interest rates had already inched up just on the talk of being included in the measure.

“Since this legislation came in and has been discussed on the floor, the price of our municipal bonds (a security issued on behalf of a local authority) has gone up,” she said. “And so we need to be removed from this because we still need at this time to go to the market.”

Today, Ms. Plaskett thanked her fellow members of Congress and the White House for considering the concerns of the Virgin Islands and the potential ramifications she contends may have arisen with the inclusion of the other insular territories in the measure.

“I would like to thank my colleagues and the administration for working with our office to restore the bill to its original intent for a Puerto Rico Oversight Board focused on the economic challenges facing Puerto Rico, and for understanding the importance of the financial autonomy of the Virgin Islands and the other U.S. territories, as well as the potentially negative impacts the bill could have on our overall economic development," said the Congresswoman. "I understand the very difficult choice facing the People of Puerto Rico and my colleagues who voted in favor of PROMESA. As it stands, this bill offers the ability for the island to restructure 100 percent of its debt, while the only other option would force Puerto Rico to litigate with creditors and their lawyers in court."

Yet, while Ms. Plaskett is pleased with the change to the provision affecting the U.S. Virgin Islands and the other territories, she maintained that the bill is flawed, mainly as a result of the Republicans stripping recommendations for economic growth proposed by President Barack Obama.

“Despite improvements to the Oversight Board and pension provisions, I believe that PROMESA still remains flawed. The proposed Oversight Board’s powers are overly broad, depriving the government of Puerto Rico of more authority than is necessary to achieve fiscal stability and economic growth," she said. "I am still of the belief the best solution is passing legislation which includes the recommendations of the White House. Legislation which focus more on better equipping Puerto Rico and the other territories with the mechanisms to grow their own economies rather than imposing Orwellian oversight boards."

The PROMESA bill would put Puerto Rico’s fiscal affairs under direct federal control and establish a legal framework for reducing its $72 billion load of debt. The rules would be similar to Chapter 9 municipal bankruptcy, but with differences intended to reassure those creditors who believe Chapter 9 is stacked against them.

If enacted as is, the bill would also pre-empt action by the United States Supreme Court, which has been called upon to interpret the laws governing Puerto Rico, according to the New York Times. Chapter 9 of the bankruptcy code explicitly bars Puerto Rico from seeking debt relief without revealing why. In March, the justices heard oral arguments in an expedited appeal by the island, but they expressed uncertainty about how to proceed.